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## Budget Brief – HCD Capital

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NUMBER 08-08

### **SUMMARY**

The Community Development Capital budget provides grants and/or loans to subdivisions of the State which are impacted directly or indirectly by mineral resource development on federal lands. The Permanent Community Impact Fund receives 32.5 percent of the mineral lease payments from the federal government. This funding is prioritized by the Community Impact Board which is administered in the Community Development line item. Additionally, a portion of the federal mineral lease flows directly to special service districts through the mineral lease distribution formula.

#### ***Federal Mineral Lease Allocations***

Federal Royalty revenue is generated when minerals are produced on federal lands. The producing companies pay the federal government a royalty based on taxable value of the extraction. Taxable value is generally based on production levels and price of the minerals. Both production and price have increased above historic levels for oil and gas. This has led to a corresponding increase in mineral lease allocations from the federal government.

Other sources of mineral lease revenue include bonuses, rents and other royalties. Rents are annual payments on leases not currently under production. Bonuses are payments made to obtain rights to mineral lease opportunities. Other royalties include audit assessments and mineral lease payments on minor products such as sand, gravel and sulphur.

Detailed information related to the budget can be found in the Compendium of Budget Information for Economic Development and Revenue pages 55-56.

### **ISSUES AND RECOMMENDATIONS**

***Statutory Allocations*** - The Analyst recommends appropriating \$103,000,000 base budget funding for the Community Development Capital Program. The Special Service Districts are allocated \$5,500,000 of the total with the Permanent Community Impact Fund receiving \$97,500,000. The program however, is authorized to spend the distribution that actually comes in.

***Other Funds*** - Community Development also administers other funds resulting from mineral lease development issues including the Uintah Basin Revitalization fund, the Navajo Revitalization fund, the Rural Development Fund, and the Rural Electronics Commerce and Communications System Fund.

***Projects Funded*** - In the FY 2007 budget year the Permanent Community Impact Fund Board approved \$143,750,000 in projects for impacted areas of the state. There are no FTE's attached to this line item. Administrative support is provided through the Division of Housing and Community Development. However, the statutorily established board makes the funding decisions.

**BUDGET DETAIL**

Funding for the Community Development Capital Budget is from federal mineral lease revenue. The total funding amount is determined by a statutory formula found in UCA 58-21.

***Budget Recommendations for FY 2009***

The Analyst recommends a total FY 2009 base appropriation of \$103,000,000.

**BUDGET DETAIL TABLES**

Community and Culture - Community Development Capital Budget						
Sources of Finance	FY 2007 Actual	FY 2008 Appropriated	Changes	FY 2008 Revised	Changes	FY 2009* Base Budget
Federal Mineral Lease	0	6,500,000	84,285,200	90,785,200	(85,285,200)	5,500,000
Permanent Community Impact	0	86,665,200	(86,665,200)	0	69,500,000	69,500,000
Repayments	0	17,067,000	2,380,000	19,447,000	8,553,000	28,000,000
<b>Total</b>	<b>\$0</b>	<b>\$110,232,200</b>	<b>\$0</b>	<b>\$110,232,200</b>	<b>(\$7,232,200)</b>	<b>\$103,000,000</b>
<b>Programs</b>						
Permanent Community Impact Board	0	103,732,200	0	103,732,200	(6,232,200)	97,500,000
Special Service Districts	0	6,500,000	0	6,500,000	(1,000,000)	5,500,000
<b>Total</b>	<b>\$0</b>	<b>\$110,232,200</b>	<b>\$0</b>	<b>\$110,232,200</b>	<b>(\$7,232,200)</b>	<b>\$103,000,000</b>
<b>Categories of Expenditure</b>						
Other Charges/Pass Thru	0	110,232,200	0	110,232,200	(7,232,200)	103,000,000
<b>Total</b>	<b>\$0</b>	<b>\$110,232,200</b>	<b>\$0</b>	<b>\$110,232,200</b>	<b>(\$7,232,200)</b>	<b>\$103,000,000</b>
<b>Other Data</b>						
*Does not include amounts in excess of subcommittee's state fund allocation that may be recommended by the Fiscal Analyst.						